



**COUNTY OF LOS ANGELES**  
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December 9, 2003

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina, Chair Pro Tem  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavy  
Supervisor Michael D. Antonovich

From: Jon W. Fullinwider  
Chief Information Officer

Subject: **HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT  
STATUS REPORT**

This is to provide you with a report on the County's status in complying with the HIPAA Transactions and Code Sets (TCS) rules following the October 16, 2003 compliance deadline. Attachment A (Summary of HIPAA Transactions and Code Sets Status) provides a transaction-by-transaction status of the information summarized below.

**Electronic TCS**

**Federal Readiness**

In September 2003, the federal Centers for Medicare and Medicaid Services (CMS) announced that it would implement a contingency plan for Medicare providers to accept paper and non-compliant electronic transactions after the October 16, 2003 compliance deadline. The CMS contingency plan gives Medicare providers and fiscal intermediaries (FI) additional time to complete the TCS testing process.

While the announced CMS contingency plan applies only to Medicare, a relatively small percentage of County health-related claim transactions, it is a significant recognition by CMS and the federal government of the fact that, industry wide, HIPAA TCS compliance would not be possible by October 16, 2003.

CMS had made earlier statements in its guidelines for enforcement that, "during the period immediately following the compliance date, CMS intends to look at both covered entities' good faith efforts to come into compliance with the standards in determining, on a case-by-case basis, whether reasonable cause for the non-compliance exists and, if so, the extent to which the time for curing the noncompliance should be extended."

### State of California Readiness

The State of California, in its Medi-Cal Update for October 2003, did not use the words "contingency plan," however; it did provide clear direction that they were planning for a staged implementation of the HIPAA transactions over a period of months rather than a hard cutover on October 16, 2003. The State and its Fiscal Intermediary (FI), the County's largest and most important trading partner, continue to be delayed in achieving HIPAA TCS compliance for some transactions. The monthly Medi-Cal Update published by the State, the Medi-Cal web site ([www.medi-cal.ca.gov](http://www.medi-cal.ca.gov)), and provider bulletins, indicated well ahead of time that the State would not be fully HIPAA TCS compliant by October 16, 2003. Neither DHS nor DMH can complete their HIPAA testing and execute compliant transactions in advance of the State and its FI. County organizations have been in continuing dialogue with their corresponding State agencies to determine how and when to conduct testing and how to conduct business after October 16, 2003. The State has consistently provided reassurance that Medi-Cal payments will not be disrupted. Providers will be allowed to process pre-HIPAA TCS formatted claims until advised otherwise.

### County of Los Angeles Readiness – Department of Health Services (DHS)

DHS TCS compliance should be viewed based on its three separate lines of business: (1) Hospitals and Clinics, (2) Public Health, and (3) the Office of Managed Care (OMC).

#### Hospitals and Clinics

DHS hospitals and clinics process the vast majority of their transactions through Accordis, a clearinghouse. Accordis is submitting Medicare inpatient and outpatient 837 claims using approved HIPAA compliant Transaction Code Set (TCS) information reflective of all-inclusive rate revenue codes. Accordis is also submitting Medicare non-hospital 837 claims to the FI (NHIC) and is now submitting live HIPAA compliant 837 claims.

Accordis continues to submit Medi-Cal inpatient claims using both HIPAA complaint TCS information and local revenue codes. Accordis is still submitting inpatient HIPAA compliant 837 test claims to the Medi-Cal FI (EDS). DHS is finalizing preparations to become HIPAA complaint for inpatient claims by the State's tentative target date of February 1, 2004. On October 31, 2003, the County submitted a proposal to the State for processing Medi-Cal outpatient 837 HIPAA compliant claims. The State is still reviewing the County's proposal. At



this time, EDS is continuing to accept and process all Medi-Cal claims containing local revenue codes. EDS has not announced the date as to when they will no longer accept claims with local revenue codes.

DHS hospitals continue to question the need for them to produce the 837 Professional format to submit to OMC and that issue remains under review. A strategy has been developed for addressing the need for DHS hospitals to send HIPAA-compliant X.12 837 Institutional transactions to OMC, but it cannot be finalized until the 837 Professional issue is resolved. A meeting is being arranged between DHS and LACare, the ultimate recipient of these transactions, to reach understanding on the data and data definitions that need to be provided to LACare. This will facilitate finalizing the strategy for DHS hospitals to provide data to OMC. OMC has the capability to accept compliant 837 transactions from the hospitals, but this is a substantial change from present practice for the hospitals and will require time to implement.

#### Public Health

Of the three business lines, Public Health is the lowest risk area from the point of view of percentage of revenue and level of complexity. Public Health is using a combination of an existing clearinghouse relationship and a small amount of custom programming to achieve HIPAA TCS compliance. The one serious constraint they face in achieving HIPAA TCS compliance is that the State is not prepared to accept compliant transactions. The County and the State will continue to work through the testing issues necessary to assure a reliable transition to HIPAA-compliant transactions and continue to process the pre-HIPAA formatted claims during this phase-in period.

#### Office of Managed Care (OMC)

As a health plan, OMC is required to have the capability to process the entire suite of HIPAA TCS specified transactions, including some they have never had an occasion to use in the past. As referenced above, OMC and DHS hospitals continue to work on transitioning from the current non-HIPAA formatted data exchange between the two parties to HIPAA-compliant transactions. Expanded use of clearinghouse processing is anticipated to be part of the solution, but the solution cannot be finalized until the 837 Professional issue is resolved.

There are additional HIPAA TCS transactions that are not used by any of OMC's current trading partners and therefore have not been tested or implemented. Under the enforcement guidelines issued by CMS, OMC can clearly demonstrate a good faith effort and clear progress towards compliance because they have certified the conformity of their transactions through a third-party certification agency.



OMC has informed its provider community that it will follow the CMS lead and invoke a contingency plan. The contingency plan allows trading partners to continue to process pre-HIPAA TCS formatted transactions during a transition period following October 16, 2003, to assure that business is not disrupted while OMC and its trading partners complete the testing necessary to assure a reliable transition to HIPAA compliant transactions.

OMC and DHS management must complete discussions with LACare to reach a final decision on the requirement for hospitals and clinics to report services on the 837 Professional claims format. This issue must be resolved over the next 30 days to allow the hospitals and clinics to begin development of this transaction.

#### County of Los Angeles Readiness – Department of Mental Health and Kirby Center Readiness

On November 24, 2003, DMH, with the assistance of its contractor, Sierra Systems, Inc. (Sierra), successfully began production use of its Integrated System (IS) with Fee-for-Service providers. This is a significant milestone for the twice-delayed go-live of the IS, but it still represents a subset of the full IS functionality. The IS is operating satisfactorily and the number of providers using the system is increasing each day.

The development of IS Pharmacy functionality is progressing based on Sierra's revised project schedule and will be brought into production use on January 5, 2004. Short-Doyle Medi-Cal providers will begin production use of the IS beginning January 26, 2004. As explained in the Mental Health HIPAA TCS status memo from Dr. Southard and myself on October 16, 2003, DMH notified their providers that they were implementing their HIPAA TCS Contingency Plan.

My office continues to monitor the IS implementation closely and will continue to keep you informed of progress and any further problems or issues that arise.

The delay in the implementation of the DMH IS has not jeopardized DMH revenue.

#### Summary

DHS and DMH HIPAA TCS compliance efforts remain constrained by the State's documented schedule for achieving HIPAA TCS compliance. DHS hospitals are processing HIPAA TCS-compliant Medicare claims and modified HIPAA TCS-compliant inpatient Medi-Cal claims and remittance advice transactions with the State. The State has not finalized its plans for Medi-Cal outpatient claims and remittance advice transactions and this will prevent DHS hospital-based clinics and health centers and Public Health clinics and programs from completing their HIPAA TCS implementation.

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OMC has invoked a contingency plan for those transactions for which testing with trading partners is not complete and anticipate no disruption in its ability to conduct business. OMC is also positioning itself to expand the use of HIPAA-compliant transactions based on requests from its trading partners.

The DMH has notified its providers that they have implemented their HIPAA Contingency Plan and will be accepting non-compliant transactions until further notice. DMH and Sierra have implemented a portion of the IS functionality and have established dates in January 2004 for bringing the remaining functionality into production use.

Both DHS and DMH continue to conduct business with their trading partners and the State and there is no threat to Medi-Cal cash flow.

The next HIPAA TCS status report will be provided on January 31, 2004.

If you have questions or require additional information, please contact me at (213) 974-2008.

JWF:JW:ygd

#### Attachments

c: Chief Administrative Officer  
Executive Officer, Board of Supervisors  
County Counsel  
Department Heads  
Chair, Information Systems Commission



	Comments
s o	<p>Accordis (DHS Clearinghouse) is submitting Medicare inpatient and outpatient 837 claims using approved HIPAA compliant Transaction Code Set (TCS) information reflective of all-inclusive rate revenue codes. Accordis has completed their testing for submitting Medicare non-hospital 837 claims to the Fiscal Intermediary (NHIC) and is now submitting live HIPAA compliant 837 claims.</p> <p>Accordis continues to submit Medi-Cal inpatient claims using both HIPAA complaint TCS information and local revenue codes. Accordis is still submitting inpatient HIPAA compliant 837-I test claims to the Medi-Cal Fiscal Intermediary (EDS). DHS is finalizing the necessary actions to become HIPAA complaint for inpatient claims by the State's tentative target date of February 1, 2004. On October 31, 2003, the County submitted a proposal to the State for processing Medi-Cal outpatient 837 HIPAA compliant claims. The State is still reviewing the County's proposal. At this time, EDS is continuing to accept and process all Medi-Cal claims containing local revenue codes. EDS has not announced the date as to when they will no longer accept claims with local revenue codes. DHS facilities sent OMC a subset of the 837I and are determining if their information systems have data to provide the clearinghouse for the transaction.</p>
	<p>Testing continues with the Medicare Fiscal Intermediary (UGS).</p> <p>Medi-Cal is generating both the non-HIPAA and HIPAA compliant remittance advices (RAs). In order for a provider to receive the HIPAA compliant RAs, they must submit new provider enrollment forms. DHS is in the process of preparing these forms for submission in order to obtain the HIPAA compliant R's. Until the State terminates the non-HIPAA RAs, DHS plans to process both the non-HIPAA and HIPAA RAs since the non-HIPAA RAs contain additional information that does not reside on the HIPAA RAs.</p>
	<p>The State continues to operate their non-HIPAA compliant Point-of-Service (POS) system for obtaining Medi-Cal eligibility information. The State has not announced when they will terminate the use of the POS system or what they will use to replace the system. As a result, DHS will continue to utilize the POS. For business purposes, DHS continues its efforts to install the necessary software to process HIPAA compliant 270/271 transactions. This process is expected to be operational before the State system is changed to become HIPAA compliant.</p>
	<p>The administrative code sets have been implemented as scheduled on 10/16/03. Claims with service dates 09/22/03 and greater have been submitted to EDS and have been adjudicated.</p> <p>With regards to the implementation of national code sets, the State has not provided instructions on how to convert the local revenue codes to national codes. Therefore, until the information is received from the State, Accordis is unable to comply with HIPAA TCS regulations. It is anticipated that the tentative date to implement is by the first quarter of calendar year 2004. Beta testing has been completed with the State and Accordis has received notification that it passed all format testing.</p>
	<p>No change to existing process.</p>
	<p>ADPA has received the final version of TCS Service Code Crosswalk from State ADP. ADPA generated and forwarded revised test data to Accordis on 9/8/03 to generate the 837P test outbound transactions. On 9/16/03 State ADP informed ADPA that testing was scheduled for the week of September 22, 2003. On 9/19/03, Accordis 837 transaction file was forwarded to State with test results expected from the State during the week of September 22, 2003. On 10/6/03, ADPA and its clearinghouse, Accordis, sent the latest 837P transaction test data to State Department of Alcohol and Drug Program (SADP). On 10/8/03 SADP informed Accordis and ADPA that ADPA's 837P transaction test passed. As a result, ADPA has complied with the State - Partners Readiness to Test, Testing Complete, and Training phases.</p> <p>Regarding the "In Production" phase, due to the large volume of claims from Los Angeles, and other Counties who are not ready for 837 submission, SADP requested ADPA to continue to submit October transactions in pre-HIPAA format plus the same data in HIPAA-compliant 837 format for their verification. SADP has informed all counties that besides 837 transactions, SADP will continue to receive the pre-HIPAA format claims until further notice.</p> <p>No change to existing process.</p> <p>No change to existing process.</p> <p>No change to existing process (although the State is considering some changes in the future, after October 16, 2003).</p>

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	The X.12 837 transaction is certified by Claredi, but it has not yet been tested with trading partners. OMC will continue processing this transaction in pre-HIPAA format consistent with the contingency plan, or on paper, until trading partner testing is complete. OMC is currently coordinating testing with out-of-network hospitals and physicians. No negative impact to OMC business processes or revenue is anticipated.
	DHS hospitals must send the 837 Institutional (837I) transaction to OMC and that may involve changed procedures and capturing additional data. The need for the 837 Professional (837P) transaction is being investigated and a meeting with LACare, the ultimate recipient of these transactions, is being arranged to understand their data requirements and data definitions. After that meeting, the approach to achieving compliance for these transactions can be finalized. DHS hospitals do not send the 837P and, if that is necessary, it will take months to accomplish. DHS facilities send OMC a subset of the 837I and are determining if their information systems have data to populate a compliant 837I. A clearinghouse will be necessary to format the transaction. DHS staff believe this is within the scope of existing contracts. DHS met with Accordis on September 22, 2003, regarding handling these transactions on behalf of DHS hospitals. Arrangements for Accordis to handle hospital encounter data transactions to OMC cannot be finalized until a decision is reached by attorneys with regard to the 837P. DHS will continue to process transactions in pre-HIPAA format. CHP will process this transaction in pre-HIPAA format consistent with the contingency plan until the mapping to e*Gate Software is complete. No negative impact on business processes or revenue is anticipated.
	DHS Information Services Branch Data and Information Services Division is working with HMS to complete configuration of the X.12 software and testing of the transactions. Projected completion is January 2004. LA Care has stated that they will continue to support the pre-HIPAA format for a minimum of six months. No negative impact on business processes or revenue is anticipated.
	The X.12 835 transaction is certified by Claredi, but it has not yet been tested with trading partners. DHS will continue to process this transaction in pre-HIPAA format consistent with the contingency plan until trading partner testing is complete. No negative impact on business processes or revenues is anticipated.
	OMC successfully tested the 834 transaction with Universal Care. Testing continues with other trading partners. OMC is able to process a compliant X.12 834 transaction as of October 16, 2003. State DHS did not meet the compliance deadline of 10/16/03 for this transaction except for the Healthy Families Program, which stated they are in "material compliance." DHS currently provides its eligibility roster electronically to certain plan providers, including DHS facilities. OMC is seeking a legal opinion as to whether this must be done in a HIPAA X.12 format. Neither the 271 nor the 834 are designed for this purpose, but if required, OMC will implement an 834 format.
	The Healthy Families Program (HFP) is changing its Administration vendor in January 2004 and will not implement the ANSI X.12 820 transaction until after the change. HFP stated that the 820 electronic file they currently distribute is "materially compliant." The necessity for OMC to receive an X.12 820 transaction is settled and the need to generate an outbound 820 is being investigated. The LA County Treasurer and Tax Collector (TTC) and the CAPS system are the recipients of the inbound 820, so there is the potential to impact their operations and the CAPS system. Approaches that minimize the impact on the TTC are preferred. Until those issues are resolved, DHS will continue to process transactions in pre-HIPAA format. No negative impact on business processes or revenue flow is anticipated. OMC IT met with Dave Beck and Bonita Taylor from OMC finance and a decision was made to program the PMS system to accept the 820 transaction. MRMIB will be ready to send the 820 come February.
	HMS completed testing with Claredi on 8/14/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners. No negative impact on business processes or revenue is anticipated.
	HMS completed testing with Claredi on 9/17/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners. No negative impact on business processes or revenue is anticipated.
	HMS completed testing with Claredi on 9/19/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners. No negative impact on business processes or revenue is anticipated.
	Contractor (PCN) responsible for HIPAA Compliance of NCPDP transactions.
	Submission from 10/17/03 was accepted and processed successfully by EDS. Check received 10/29/03 from State for 837 submission.
	No change to existing process. (i.e., providers submit paper claims; CCS staff enters claim information into ACMS).
	The 835 messages were downloaded from web site on 10/21/03 and 10/28/03. Remittance Advice Report was created from 835s and sent to CCS finance.
	No change to existing process.



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	The DMH will continue testing compliant 837 transactions with the State until the transaction is certified, expected later in December. DMH has been conducting compliant 837 transactions with the State since November 24, 2003 for the Fee-For-Service (FFS) Network Providers via the Integrated System. Only a limited number of Fee-for-Service Providers are conducting HIPAA-compliant transactions via the Integrated System, the rest are entering information directly into the Integrated System.
	The DMH will continue testing compliant 837 transactions with the State until the transaction is certified, expected later in December. The Department intends to begin processing the 837 for the Short Doyle providers beginning on January 26, 2004.
	DMH has been using the Integrated System (IS) to exchange the X.12 834 HIPAA transaction with Fee-for-Service network trading partners since November 24, 2003. State compliance status is not relevant to or a constraint on this transaction.
	DMH will use the Integrated System (IS) to exchange the X.12 834 HIPAA transaction with Short Doyle providers by January 26, 2004. State compliance status is not relevant to or a constraint on this transaction. No negative impact on business processes or revenue is anticipated.
	The Integrated System will begin processing the X.12 835 transaction with Short Doyle Providers effective January 26, 2003. The State assessment process has started and the State has purchased and installed translation software. State plan was to conduct compliant 835 transactions by November 2003, but testing has not been finalized. DMH continues to test the 835 transaction with the State. DMH will continue to process transactions in pre-HIPAA format until the State is ready. No negative impact on business processes or revenue is anticipated.
	The Integrated System will begin processing the X.12 835 transaction with the Short Doyle providers on January 26, 2004. The State assessment process has started and State has purchased and installed translation software. State plan was to conduct compliant 835 transactions by November 2003, but testing has not been finalized. DMH continues to test the 835 transaction with the State. DMH will continue to process transactions in pre-HIPAA format until the State is ready. No negative impact on business processes or revenue is anticipated.
	The Integrated System has been processing HIPAA compliant X12 270 and 271 transactions with Fee-for-Service Network Providers since November 24, 2003. Medi-Cal will not support compliant eligibility transactions this year. IS has been modified to process compliant 270/271 for local trading partners and non-compliant format State transactions. DMH is managing the risk that the State may experience some difficulty in providing necessary eligibility data to Counties. DMH will continue to process transactions in pre-HIPAA format with the State until the State is ready with a compliant 270/271 transaction. No negative impact on business processes or revenue flow is anticipated.
	The Integrated System is currently processing X12 278b transactions with Fee-for-Service network providers. State Medi-Cal will not support compliant authorization transactions this year. DMH will continue to process transactions in pre-HIPAA format in the meantime. No negative impact on business processes or revenue flow is anticipated. The 278 has been tested and functions properly for the Fee-for-Service providers that went live November 24, 2003.
	The Integrated System will begin processing X.12 278 transactions with contract and directly operated Short Doyle providers on January 26, 2004. State Medi-Cal will not support compliant authorization transactions this year. DMH will continue to process transactions in pre-HIPAA format in the meantime. DMH must conduct additional tests of the 278 transaction for Short Doyle providers to be brought live January 26, 2004 because the application of the transaction is slightly different than the Fee-for-Service version.
	No negative impact on business processes or revenue flow is anticipated.
	DMH is presently offering the 276 and 277 X12 transactions to Fee-for-Service network providers who are using the integrated System. State Medi-Cal will not support compliant status reporting transactions this year. The complexity of managing compliant local data without corresponding State transactions will introduce minimal risk. No negative impact on business processes or revenue is anticipated.
	DMH will begin processing X.12 276/277 transactions with contract and directly operated Short Doyle providers on January 26, 2004. State Medi-Cal will not support compliant status reporting transactions this year. The complexity of managing compliant local data without corresponding State transactions will introduce minimal risk. No negative impact on business processes or revenue is anticipated.



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	Retail pharmacies are already HIPAA-compliant, but there was a delay in the delivery of software to DMH that would allow retail pharmacies to conduct the necessary transactions with DMH. DMH will continue to process transactions in pre-HIPAA format. DMH will begin processing compliant NCPDP transactions on January 5, 2004. No negative impact on business processes or revenue is anticipated.